

BRIEFING MEMO
Northern Light Acadia Hospital
Inpatient Services Capacity Project

DATE: November 9, 2021

TO: Jeanne M. Lambrew, Commissioner, DHHS

THROUGH: Bill Montejo, Director, Division of Licensing and Certification

FROM: Larry Carbonneau, Manager, HealthCare Compliance and Operations
Richard Lawrence, Senior Health Care Financial Analyst

SUBJECT: Certificate of Need for Northern Light Acadia Hospital

ISSUE ACTIVATED BY: The referenced proposal requires Certificate of Need (CON) approval as defined in "The Maine Certificate of Need Act of 2002," 22 MRS §326 et seq., as amended.

REGISTERED AFFECTED PARTIES: None

I. BACKGROUND:

Acadia Hospital, Corp. d/b/a Northern Light Acadia Hospital (Acadia) operates a 100-bed licensed acute care, psychiatric hospital located in Bangor, Maine. In addition, Acadia provides a host of outpatient mental health services, and tele-psychiatry services to 16 Maine hospital emergency departments, plus on-site support at Northern Light Eastern Maine Medical Center. Acadia serves a statewide market; in fiscal year 2020, 63% of patient admissions originated from outside of Penobscot County.

Patient demand for psychiatric inpatient beds far exceeds available resources needed to meet this demand. The issue has only worsened since the COVID-19 pandemic. Patients are stranded for days in crowded emergency rooms or admitted to med/surg beds while awaiting the availability of an inpatient psychiatric bed and transfer to a more appropriate setting for treatment.

Acadia does not have the physical capacity to utilize all of its 100 licensed beds. The hospital's beds in the inpatient units are all double occupancy rooms. On any given day, Acadia is able to accommodate an average of only 61 patients since many patients are not appropriate for placement in double occupancy rooms. The current standard of care is single occupancy for acute mental health treatment.

Northern Light Acadia Hospital is part of Northern Light Health (NLH). NLH is made up of ten member hospitals with 987 licensed beds, a single physician-led medical group, eight nursing homes with 585 long-term beds, five emergency transport members and 37 primary care locations. NLH has over 12,000 employees.

II. PROJECT DESCRIPTION:

The proposed project includes the addition of a new 51,394 square foot facility located on the existing campus. The addition will provide 50 inpatient pediatric beds in private rooms, pharmacy space,

associated ancillary services, and connectors to the existing hospital. All double occupancy rooms in the existing hospital will be renovated to provide 50 single occupancy beds for adults. All construction will take place on the existing hospital site. The estimated capital cost of the project is \$34.7 million. The proposed project will add approximately \$21 million to annual operating costs following full implementation of the project.

III. HIGHLIGHTS:

Letter of Intent dated:	June 10, 2021
Technical Assistance Meeting held:	June 6, 2021
CON application filed:	September 3, 2021
CON certified as complete:	September 3, 2021
Public Information Meeting Held	Waived
Public Hearing held:	N/A
Preliminary Analysis released:	October 18, 2021
Close of Public Record	November 8, 2021

IV. PUBLIC COMMENTS RECEIVED IN RESPONSE TO THE PRELIMINARY ANALYSIS

No public comments were received following the release of the preliminary analysis.

V. CERTIFICATE OF NEED UNIT ANALYSIS

a) Fit, Willing and Able

Northern Light Health (NLH) is an integrated health care system in Maine. NLH provides care to people throughout the State of Maine. NLH is made up of ten member hospitals with 987 licensed beds, a single physician-led medical group, eight nursing homes with 585 long-term beds, five emergency transport members and 37 primary care locations. NLH has over 12,000 employees.

Northern Light Acadia Hospital (Acadia) is a 100-bed acute care psychiatric hospital located in Bangor, ME. Acadia provides a full continuum of inpatient and outpatient behavioral care services for children, teens, and adults while specializing in the treatment of mental illness and substance abuse. Acadia is one of only two private psychiatric hospitals in Maine and as a result it serves patients state-wide.

In order to document that Acadia is fit, willing and able CONU reviewed quality measures related to psychiatric unit services available at the Medicare hospital compare website (<https://www.medicare.gov/care-compare>).

These quality measures show how often or how quickly inpatient psychiatric facilities give recommended treatments and services known to get the best results for people with mental health conditions, substance abuse, and other health conditions. Some measures also describe whether these facilities have certain processes and procedures in place. Acadia exceeds National or State averages in 1 of 2 measures of preventative care and screening, 2 of 8 measures of substance abuse treatment, 1 of 2 measures of patient safety and 4 of 5 measures of follow up care.

Acadia is a deemed facility. On October 16, 2019 through October 18, 2019 The Joint Commission conducted a recertification survey at Acadia (a psychiatric hospital). The purpose of this survey was to evaluate compliance with 42 CFR Part 489.13. The Joint commission granted Acadia an accreditation valid through October 19, 2022 and further recommended continued Medicare certification.

A Federal Complaint Survey was conducted at Acadia, a psychiatric hospital, on July 26, 2021 through July 28, 2021 to evaluate compliance with 42 CFR, Part 482, Condition of Participation, Patient Rights (§482.13). The survey determined the hospital was in substantial compliance with no standard level deficiencies were identified.

b) Economic Feasibility

In order to assess the financial stability of the applicant, the CONU used financial ratios to measure profitability, liquidity, capital structure and asset efficiency. CONU examined both EMMC and Acadia financial results. Financial ratios were obtained from the Maine Health Data Organization's website.

EMMC meets or exceeds Maine performance averages in 7 out of 11 measures and exceeds National averages in 5 out of 11 measures. Acadia meets or exceeds Maine performance measures in 9 out of 11 measures and exceeds National averages in 5 out of 11 measures of financial strength.

This project will increase the overall footprint of Acadia by 52,494 square feet in order to meet the States psychiatric healthcare needs at a projected cost of \$34,701,040. An additional 57 FTE will be added by 2026. Operating costs are expected to rise from \$65,637,692 in FY 2022 to \$78,724,022 in FY 2024, the first full year of operations.

An examination of Acadia's projected financial results through FY 2026 reveals that both revenues and operating expenses are projected to increase each year through FY 2026 as new beds are brought online and staffing increases. However, positive operating incomes are projected each year because of increased utilization of beds and operating efficiencies created by a modernized building. This project is not expected to require additional borrowing since it will be funded by an equity contribution by Northern Light Health, which will be augmented by estimated public contributions of \$2,000,000.

CONU examined the consolidated balance sheet of Northern Light Health, Acadia's parent company, to determine if adequate funding capacity exists to support this project in the event financial projections do not meet expectations. As of September 30, 2020, Northern Light Health had cash and cash equivalents of \$151,470,000 and short-term investments of \$176,908,000 which are sufficient to support this project over its useful life.

c) Public Need

On average Acadia can only accommodate 61 patients because many patients are not suitable for double occupancy rooms for clinical reasons such as poor impulse control and nocturnal agitation.

To determine public need, CONU analyzed demographic and service use trends in Acadia's primary service area which includes communities in Penobscot, Piscataquis, Somerset, Washington, and Hancock Counties.

Population declines are offset by the increase in demand for psychiatric and substance abuse services. Based on historical usage and projections, inpatient days are expected to rise from 21,535 in 2021 to 31,759 in 2026. The average daily census is expected to rise from 59 in 2021 to 87 by 2026. In addition, inpatient psychiatric services are extremely limited in Maine and this project is expected to have the benefit of alleviating the need for patients to stay in emergency rooms or med/surg beds while awaiting placement. The applicant provided information showing that an average of 29 patients per day across Maine sit in emergency rooms awaiting placement in a psychiatric care program.

In 2019, Maine's four largest healthcare system, NLH, Central Maine Health Care, MaineGeneral Health and MaineHealth in concert with the Maine Center for Disease Control and Prevention partnered to research and publish a shared Community Health Needs Assessment. All 16 Counties recognized mental health and substance abuse as top health priorities.

The services affected by the project will be accessible to all residents of the area proposed to be served. Acadia provides important access to care for many communities throughout the State of Maine. In order to increase access to care and provide critical psychiatric and substance abuse services this project is necessary.

The project will provide demonstrable improvements in the quality and outcome measures for patients that require inpatient psychiatric and substance abuse services. Acadia's ongoing participation in NLH quality improvement programs and collaboration with health care providers throughout Maine will allow continuous improvement in the level of services provided.

d) Orderly and Economic Development

As stated by the applicants the fundamental reasons for the proposed project are: 1) better meet the needs of Maine residents requiring inpatient level of psychiatric care. 2) relieve the pressure on emergency departments throughout Maine currently housing patients that cannot access inpatient psychiatric care. 3) provide timely care to the sickest patients in the community and 4) provide more timely transition for patients in regional hospital med/surg beds who are awaiting appropriate placement to a specialty psychiatric unit. This project will expand and reconfigure Acadia to 100 single rooms and enable services to be provided on a timely basis without the existing constraints created by double-occupancy rooms.

Overall costs per patient are expected to decline due to better access to intensive inpatient services when required.

e) Outcomes and Community Impact

Community mental health will be improved by stronger regionwide efforts to address identified community needs. This will promote high quality clinical results and enhance the patient's experience.

f) Service Utilization

Acadia will not add new services as a result of this merger but will instead increase needed psychiatric inpatient services to meet current and future demand. The applicant provided significant data regarding current and projected inpatient psychiatric service data which projects moderate growth in service levels over the next ten years.

VI. CONCLUSION

For all the reasons set forth in the Preliminary Analysis and in the record, the CONU concluded that the review standards have been satisfied.

VII. RECOMMENDATION

The CONU recommends that this application be Approved.